

Board Meeting Minutes
May 7, 2019

Present in person were:

Sarah Godlewski, Board Chair	State Treasurer
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands

Present via teleconference were:

Josh Kaul, Commissioner	Attorney General
Doug La Follette, Commissioner	Secretary of State

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 12:00 p.m.

ITEM 2. APPROVE MINUTES - APRIL 16, 2019

MOTION: Commissioner La Follette moved to approve the minutes; Board Chair Godlewski seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Municipality	Municipal Type	Loan Type	Loan Amount
1. Conover Vilas County Application #: 02019124 Purpose: Purchase highway equipment	Town Rate: 4.00% Term: 5 years	General Obligation	\$139,559.00
2. Conover Vilas County Application #: 02019125 Purpose: Construct salt shed	Town Rate: 4.00% Term: 5 years	General Obligation	\$114,354.00
3. Cumberland Barron County Application #: 02019117 Purpose: Construct golf course maintenance building	City Rate: 4.50% Term: 20 years	General Obligation	\$265,000.00
4. Dewey Portage County Application #: 02019121 Purpose: Finance roof repairs	Town Rate: 4.00% Term: 3 years	General Obligation	\$36,500.00

5.	Elkhart Lake - Glenbeulah Sheboygan County Application #: 02019128 Purpose: Finance school improvements	School Rate: 4.00% Term: 5 years	General Obligation	\$800,000.00
6.	Iola Waupaca County Application #: 02019120 Purpose: Refinance library expansion loan	Village Rate: 4.50% Term: 15 years	General Obligation	\$350,000.00
7.	Jackson Burnett County Application #: 02019119 Purpose: Purchase fire truck	Town Rate: 4.00% Term: 4 years	General Obligation	\$125,000.00
8.	North Freedom Sauk County Application #: 02019118 Purpose: Finance street construction	Village Rate: 4.25% Term: 10 years	General Obligation	\$90,000.00
9.	Omro Winnebago County Application #: 02019122 Purpose: Purchase land and building	City Rate: 4.25% Term: 10 years	General Obligation	\$310,000.00
10.	Oregon Dane County Application #: 02019129 Purpose: Finance Thysee Printing development incentive	Village Rate: 4.50% Term: 20 years	General Obligation	\$1,000,000.00
11.	Scott Crawford County Application #: 02019127 Purpose: Finance bridge repairs	Town Rate: 4.25% Term: 10 years	General Obligation	\$100,000.00
12.	Shawano Shawano County Application #: 02019123 Purpose: Finance jail and 911 system upgrades	County Rate: 4.25% Term: 10 years	General Obligation	\$4,506,000.00
TOTAL				\$7,836,413.00

MOTION: Commissioner La Follette moved to approve the loans; Board Chair Godlewski seconded the motion.

DISCUSSION: Staff reported that loan demand for the current year is similar to last year. Mr. Sneider offered to provide the Board with a report detailing loan demand.

VOTE: The motion passed 3-0.

ITEM 4. DISCUSS TRANSFERRING THE UNCLAIMED PROPERTY PROGRAM FROM THE DEPARTMENT OF REVENUE TO THE STATE TREASURER'S OFFICE

Board Chair Godlewski reported that she met with Assistant District Attorney Vandermeuse to discuss her role as State Treasurer as it relates to the Unclaimed Property Program. While her role is to promote the Program, she does not have the authority to request an audit of the Program. She questioned how fiduciaries of the Common School Fund can forecast potential earnings without that authority or any oversight of the Program.

Deputy Secretary German explained that in most states, unclaimed property that is not reunited with its rightful owner is deposited into a general fund, but Wisconsin directs that those funds be deposited into the Common School Fund. While Wisconsin's Constitution designates that the State Treasurer (as a member of the Board of Commissioners of Public Lands) oversee the Common School Fund, current statutory language does not give her the authority to oversee the Program nor does it give her any statutory role in managing the stream of revenue from the Program until it is deposited into the Common School Fund. Prior to 2014, the State Treasurer's Office oversaw the Unclaimed Property Program.

Commissioner La Follette asked whether legislation could be introduced that would return the Unclaimed Property Program to the State Treasurer's Office. Deputy Secretary German replied that would not resolve the statutory language that prevents the use of third-party auditors to audit the Program. In addition, there have been no budget provisions to fund auditor positions at the Department of Revenue. If there were such positions, in-house audits of the Program could be conducted. These auditing constraints make it difficult for the DOR to locate unclaimed property. Commissioner La Follette suggested that moving the program to the State Treasurer's Office could be the first step in the legislative process and removing the auditing constraints could be the second step.

Board Chair Godlewski reported that she met with DOR Secretary Barca to discuss the Program and has scheduled a follow-up meeting to continue the discussion. She felt it would be advantageous to have an attorney at the Department of Justice assist with the legal and policy aspects of the matter before the Board moves forward with any proposed legislation.

Commissioner Kaul observed that the policy aspect of the issue should be addressed by the BCPL, and the State Treasurer's Office should address the oversight authority of the Program. He asked if a change in statutory language was the objective. Deputy Secretary German said that was the objective, but a compelling legal argument was also necessary before introducing statutory language to move the Program back to the State Treasurer's Office. Staff had testified and shared their concerns at a 2013 legislative hearing where the transfer of the Program to DOR was debated, but the legislation passed despite their testimony.

Commissioner Kaul asked if the question raised was whether BCPL's fiduciary obligation gives implied authority to the State Treasurer and the Board to audit the Program. Board Chair Godlewski and staff agreed with that assessment. Commissioner Kaul said he would follow-up with his staff on that question.

ITEM 5. DISCUSS AND POTENTIAL VOTE ON BOARD'S ENDORSEMENT OF GOVERNOR'S BIENNIAL BUDGET REQUEST FOR BCPL, including item 6 below

ITEM 6. REQUEST TO INCLUDE A GIFTS AND GRANTS APPROPRIATION LINE

Executive Secretary Barry explained that the agency does not have a gifts and grants appropriation line in its budget. He asked the Board if they could make a motion to endorse the Governor's 2019-2021 biennial budget as it relates to BCPL and respectfully request that a gifts and grants appropriation line be added to the agency's budget. A discussion with the DOA budget office may be in order before the Board makes any motion. The Board agreed to take up the matter at the next board meeting.

ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Snider reported that for some time he has been providing the Board with quarterly summary reports that compared the Board's fixed income portfolio against a custom benchmark. The reports have shown that the fixed-income investments have been outperforming the benchmark by wide margins. In order to determine if the State Trust Fund Loan Program was having a significant impact on those margins, the loan portfolio and public bond portfolio were separated and measured individually against the benchmark. The analysis concluded that the success of the portfolio is not solely attributable to the Loan Program.

ITEM 8. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry reported that the Western States Land Commissioners Association's annual conference will be held in Montana from July 28 through August 1. BCPL attendance typically includes three staff and one Commissioner. Staff will prepare a cost estimate for the Board's review.

Staff have determined that due diligence must be performed on any venture capital investments, so they have been researching companies that provide those services. Results of that research will be shared with the Board when concluded.

ITEM 9. BOARD CHAIR'S REPORT

Board Chair Godlewski had nothing further to report.

ITEM 10. FUTURE AGENDA ITEMS

None.

ITEM 11. ADJOURN

Commissioner La Follette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed unanimously; the meeting adjourned at 12:48 p.m.


Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Link to audio recording: https://bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2019/2019-05-07_BoardMtgRecording.mp3